MULTIMEDIA UNIVERSITY®

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BSM 3114 – MANAGEMENT OF STRATEGY

(All sections/Groups)

6 JULY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

CASE STUDY 1: China's EV Giant BYD In Talks To Acquire Insurer Yi'an

SHANGHAI, Jan 31 (Reuters) - Chinese electric vehicle (EV) giant BYD said on Tuesday it is working on a potential acquisition of Yi'an P&C Insurance Co, an insurer that was seized by Chinese regulators two years ago as part of a crackdown on financial conglomerates. Chinese business publication Caixin reported earlier this month, citing unnamed sources, that BYD would fully take over the insurer and would use it to start an insurance business targeting electric vehicles. "The acquisition is ongoing," BYD said in a statement on Tuesday, referring to the reported deal. It said it would release more details later. Yi'an P&C Insurance was among nine firms Chinese regulators seized from the Tomorrow Holdings conglomerate in July 2020.

On July 15, the China Banking and Insurance Regulatory Commission issued the "Reply on the Bankruptcy and Reorganization of Yi'an Property Insurance Co., Ltd." stating that it agreed in principle that Yi'an Property and Casualty Insurance would enter the bankruptcy and reorganization process. At the same time, Yi An Property & Casualty Insurance is required to carry out follow-up work in strict accordance with relevant laws and regulations. In case of major circumstances, report to the China Banking and Insurance Regulatory Commission in a timely manner.

BYD has acquired Yi'an Property Insurance Co for Rmb 3.6 billion (US$530 million), according to Chinese commercial information query platform. Yi'an Property Insurance was established in February 2016, is one of the four professional Internet insurance companies approved by the China Banking and Insurance Regulatory Commission. A Shanghai court last year fined the conglomerate 55.03 billion yuan ($8.2 billion) and sentenced its founder, Chinese-Canadian billionaire Xiao Jianhua, to 13 years jail on charges that included siphoning away public deposits and betraying the use of entrusted property. China banking and insurance regulator said last year it had agreed to allow Yi'an P&C Insurance to enter bankruptcy and reorganisation procedures.

BYD Co, the world's biggest seller of battery electric vehicles (BEVs) and plug-in hybrids, expects its 2022 net profit to be more than five times the amount it booked a year earlier, it said on Monday. With sales of 1.86 million cars, it expects a net profit of 16-17 billion yuan ($2.37-$2.52 billion) versus 3 billion in 2021, an exchange filing showed. The company said it had it achieved strong sales growth and significantly improved profitability and had "effectively relieved the cost pressure brought about by the rising upstream raw material prices". The Shenzhen-based automaker stopped producing combustion engine vehicles last April.

Sales of its Qin and Han sedans, BYD's best-selling models, increased by 82.6% and 132.2%, respectively, in 2022, while those of Tesla's Model 3 fell by 17.5%, according to the China Passenger Car Association.

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BYD still trails Tesla (TSLA.O) in terms of global sales of fully electric cars by almost 400,000 units, though the Chinese company is planning to ramp up sales quickly at home and abroad with its new series of BEV products such as its Seal model. Electric vehicles are expensive to repair, posing a challenge to insurance providers accustomed to the demands of conventional combustion engine vehicles. Tesla (TSLA.O) launched its own insurance affiliate in August 2019, promising rates up to 30% lower than competitors. Yi'an P&C Insurance will provide level playing field for BYD to compete with Tesla in China.

Global Data analyst Murthy Grandhi said: "The move marks BYD's entry into the EV insurance market. To this end, BYD setup a broking unit BYD Insurance Brokerage which received the nod from the state administration of market supervision. With this development, BYD also joins the bandwagon of Tesla and Nio's insurance broking units. "In line with this, BYD released a staffing notification to hire for several insurance positions including operations director, claims specialists, treasurer, product manager, and compliance manager, among others under their internal control. "BYD plans to create a complete closed loop system by leveraging telematics based car data from BYD vehicles on road which can be leveraged to create insurance packages more affordable than the traditional insurers.

"Traditional insurers often face challenges in assessing the after-sale maintenance of EVs because of the technology, involvement of many electrical components, and expensive to repair. This will also provide a better level playing field for BYD to compete with Tesla in China. "BYD sold 1.86m new energy vehicles in 2022, an increase of 200% over the previous year. "Global Data forecasts the Chinese motor insurance market to exceed CNY1.1 billion in 2025. With sales volume reaching new highs coupled with vast industry size, the EV giant is well positioned to benefit from this corporate development."

(Source: adapted from https://www.reuters.com/markets/deals/chinas-ev-giant-byd-talks-acquire-insurer-yian-2023-01-31/)

Question 1

Based on the above case, what were the main **FIVE (5)** reasons BYD's acquired Yi An Property Insurance? (25 marks)

Question 2

"Yi An Property Insurance was acquired by BYD". What type of acquisition does this fall under? (5 marks)

Question 3

In your opinion, what are the **TWO (2)** potential issues that could arise following the acquisition? Suggest **TWO (2)** possible solutions to address the stated problems.

(20 marks)

(TOTAL : 50 marks)

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CASE STUDY 2: FamilyMart Malaysia Redefines Convenience With 'Food Superstore' Concept

FamilyMart Malaysia today kicked off its fifth anniversary celebrations with the introduction of a new concept that features a classy look and feel, 'food superstore', and enhanced customer comfort. The new concept store lives up to FamilyMart's commitment to making modern consumers' lives easier and better through products, services and amenities that meet their daily needs. Family Mart is one of Japan's most famous convenience franchise stores, coming to be heavy competition for 7-Eleven. In Malaysia, 7-Eleven has the biggest share in terms of the number of stores at 62%, followed by 99 Speedmart, which is essentially a small supermarket selling mainly household products. 99 Speedmart is popular with housewives, migrant workers and lower-income consumers.

When the first FamilyMart in Malaysia opened in November 2016, it pioneered the concept of quality ready-to-eat food in convenience stores. With over 250 stores nationwide, FamilyMart Mini kiosks and engaging with customers via technology, it anticipates to once again redefine the convenience store expectation. An evolution of the konbini concept, the new FamilyMart concept store raises the convenience store benchmark with a 'food superstore' focus that answers to changed customer lifestyle and behaviour. Expanding its emphasis on ready-to-eat food and something for everyone, FamilyMart introduced an all-new product range under the 'food superstore' concept to complement customers' changing lifestyles. From a wide selection of daily foods to convenient frozen meals, these can be easily prepared at home or in the office as any meal of the day. There are over 100 products in this new range for customers to enjoy their own delicious favourites at their convenience such as ready-to-eat side dishes, frozen meals, and desserts.

New FamilyMart Hot Snacks have been added to the assortment options to delight customers, providing more grab & go hot meal options. Joining the popular FamilyMart Oden, Sofuto and Brown Sugar Bubble Milk are items such as Corn Sausage, Fried Pan (Japanese fried bun), Croissant Sandwich, and Ramen. New indulgent sweet treats ranging from local to Japanese and Western desserts have also been introduced to offer wider variety in one location. As a destination for sweets and desserts, FamilyMart continues to bring exciting and trendy food and beverage products to consumers. The fresh and exciting experience is complemented by a completely revamped look and feel. The new FamilyMart concept store welcomes customers with an Insta-worthy facade of wood tones. Upon stepping in, customers are greeted with comfortable seating area and selling floor, decorated with Japanese-inspired earthy ambience.

FamilyMart Malaysia's new factory with a total investment of about RM100 million will be completed by the first quarter of 2022 (1Q 2022) which will enable the convenience store operator to supply more stocks to its retail stores. QL Resources Bhd executive director Chia Lik Khai said the new wholly owned- factory would be located near to its current factory in Shah Alam, Selangor. Besides, Chia said the company is planning to open up to 20 upgraded stores concept by the end of 2021.He said normally every year, FamilyMart would open 80 to 200 new stores depending on market conditions.

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"But now it depends on how the pandemic situation will pan out. Under retail stores, we will actually create job opportunities of around eight to 10 workers for every store open depending on the store size," he said.However, lately due to the outbreak on pandemic, Family Mart in Japan is resorting to limiting or reducing the sale of its fried chicken due to lack of raw materials caused by the Covid-19 pandemic. Branches have started putting up notices to inform customers that they are limiting or suspending the sale of store favourite, Famichiki. According to the portal, Family Mart imports about two thirds of the chicken it uses for Famichiki from Thailand, but the country's infection spike has left meat processing plants understaffed.

This means Family Mart is not able to resupply its stores with poultry meat. Responding to the matter, the chain said it hopes to resume regular sales in December, in time for Christmas. Fried chicken, added the portal, was one of Japan's favourite foods to be served during Christmas parties. On increasing commodity prices globally, Chia said that like any food producer, FamilyMart is not spared from the supply chain disruption.

Chia also said the company would try its best to mitigate the situation in the short term and does not plan to increase its product prices at this moment. "But if the product prices keep increasing, we will eventually need to adjust them over the long term," he said.

(Source: adapted from https://www.businesstoday.com.my/2021/11/09/familymart-malaysia-redefines-convenience-with-food-superstore-concept/)

Question 4

From the above case, what are the **FIVE (5)** main strengths of FamilyMart in Malaysia? Explain with examples. (25 marks)

Question 5

Based on the above case, explain the **TWO (2)** main threats faced by FamilyMart in Malaysia. (10 marks)

Question 6

But if the product prices keep increasing, we will eventually need to adjust them over the long term," he said.

Based on the above statement, suggest **THREE (3)** strategic plans (actions) for FamilyMart's executive director with examples. (15 marks)

(TOTAL: 50 Marks)

End of Paper